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TO RUEHC/SECSTATE WASHDC 5938
INFO RUEHRC/USDA FAS WASHDC
RUEHSO/AMCONSUL SAO PAULO 7335
RUEHRI/AMCONSUL RIO DE JANEIRO 2374
RUEHRG/AMCONSUL RECIFE 5038
RUEHBU/AMEMBASSY BUENOS AIRES 4119
RUEHMN/AMEMBASSY MONTEVIDEO 6343
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USDA FAS FOR ICD/CKRAMER-LEBLANK
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USDA FNS FOR COLANDER
NSC FOR FEARS
DEPT OF TREASURY FOR DDOUGLASS
USDOC FOR 3134/USFCS/OIO/WH/SHUPKA
USDOC FOR 4332/ITA/MAC/WH/OLAC/MWARD

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SUBJECT: BRAZIL: MINISTER OF AGRICULTURE RESIGNS AFTER TUSSELE OVER
FARM DEBT RELIEF

¶1. (SBU) On June 28, Roberto Rodrigues, the GOB Minister of Agriculture announced his resignation, effective June 30. While Rodrigues first attributed his departure to concerns about the health of his wife, he later indicated to the press that the real reason behind his exit was his inability to persuade the Lula Administration's economic team to do more for the agricultural sector. Specifically, Rodrigues had sought: 1) more extensive debt forgiveness/rescheduling for financially-pressed farmers, and 2) more active government efforts to restrain the recent growth in Brazil's currency (the Real) against the dollar.

¶2. (SBU) However, notwithstanding Rodrigues' argument that the farm sector - burdened by drought, a drop in prices for key commodities such as soybeans, and the emergence of foot and mouth disease - urgently needed extraordinary assistance, the man with his hands on the government purse-strings, Finance Minister Guido Mantega, remained unconvinced and relations between the two deteriorated visibly. Meanwhile, Rodrigues continued to feud with the left flank of the ruling PT party, which felt that he placed too much emphasis on the needs of export-oriented agri-business and too little on the needs of subsistence farmers. Finally, cognizant that he would lose the support of the country's agricultural producers if he could not "bring home the (financial) bacon," Rodrigues resigned.

¶3. (SBU) A sugar farmer by trade, Rodrigues had been one of the few ministers remaining from President Lula's original cabinet. Trained as an agricultural engineer, he has been one of the most effective Agriculture Ministers in recent Brazilian history as during his four years in office he oversaw an unprecedented expansion of the country's farm exports. On June 30, Lula named Vice-Minister Luis Carlos Guedes Pinto to replace Rodrigues on an interim basis. It is unlikely that a permanent replacement will be named until the new President (whether it be a reelected Lula or opposition candidate Geraldo Alckmin) assumes office in January 2007. Guedes Pinto, a long-time Agriculture Ministry official, is well-known to FAS Brasilia and in the past has been a valuable

interlocutor for USG officials.

¶4. (SBU) Comment. While Rodrigues' departure, and the assumption of caretaker Guedes Pinto to the job, means that the Finance Ministry has prevailed for now in its battle to scrimp on government agricultural spending, the war between the two ministries is by no means over. Given the increasing importance of both the agricultural export sector and the rural bancada (caucus) in the Brazilian congress, one can expect the issues of debt relief and the exchange rate to resurface in coming months.

Chicola